COMPANY UPDATE

Malakoff Corporation (MLK MK)

Positive Asset Replenishment Outlook

Mid-26 will be a busy period for Malakoff, as the group expects to achieve financial close for 22MW WTE Melaka then. This facility will be the third WTE in Peninsular Malaysia. Separately, three existing power plants have been submitted to the government for potential short-term PPA extension, with results to be announced by Sep 25. We expect the group to be awarded a 1,400MW gas-fired power plant by year-end, which will be a key catalyst for the stock. Maintain BUY with an SOTP-based target price of RM1.08.

WHAT'S NEW

- **WTE project to achieve financial close by mid-26.** Malakoff Corporation (Malakoff) has entered into a concession agreement with the government to design, construct, finance, operate and maintain a waste-to-energy (WTE) facility in Sungai Udang, Melaka. The WTE facility will process up to 1,056 tonnes of municipal solid waste per day and generate 22MW of gross renewable energy under a power purchase agreement (PPA). The PPA is over a period of 21 years but the waste collection concession is over 34 years. We gathered that the group aims to achieve financial close by Jun 26 and begin construction by Jul 26 (a three-year construction period). The project cost is estimated at RM580m-660m. The above contract win is positive for Malakoff as the group embarks on its renewable energy journey. This will be Peninsular Malaysia's 3rd WTE facility (see table overleaf), with expectations for another 10-15 WTE facilities to be built throughout Peninsular Malaysia.
- **Short-term power plant extensions under Category 1.** One month ago, the government invited interested companies to submit proposals for the supply of electricity generation for 2025-29. There are two categories: a) **Category 1** - extension of existing gas-fired power plants with expiring or expired PPAs; and b) **Category 2** - the development of new gas-fired power plants. We understand that Malakoff has submitted three power plants under Category 1, namely Prai, Segari and GB3. We had initially expected two power plant extensions to be submitted by Malakoff ie Prai and Segari. A decision by the government is expected by September or October 25.
- **A catalyst for the group: A new gas-fired power plant.** Separately, we expect Malakoff to win a 1,400MW gas-fired power plant as the group has idle landbank in Port Dickson, following the retirement of PD Power back in 2019. We expect positive newsflow by 4Q25. The potential award is worth 22.5 sen/share (or 25% of market cap), assuming a 9% project IRR.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	9,067	8,970	8,624	8,665	8,726
EBITDA	910	1,829	1,973	2,009	1,995
Operating profit	-164	798	984	1,054	1,073
Net profit (rep./act.)	(837)	269	276	343	370
Net profit (adj.)	(749)	281	276	343	370
EPS (sen)	(17.7)	5.6	5.5	6.9	7.4
PE (x)	(5.1)	16.2	16.5	13.3	12.3
P/B (x)	1.0	1.0	1.0	1.0	0.9
EV/EBITDA (x)	11.9	6.1	5.2	4.7	4.3
Dividend yield (%)	3.3	2.5	5.2	5.2	5.2
Net margin (%)	(8.3)	3.1	3.2	4.0	4.2
Net debt/(cash) to equity (%)	112.4	119.4	101.7	83.6	66.3
Interest cover (x)	(0.3)	1.6	1.5	1.7	1.8
ROE (%)	(15.1)	4.9	4.9	5.9	6.1
Consensus net profit			252	287	317
UOBKH/Consensus (x)			1.09	1.20	1.17

Source: Malakoff Corporation, Bloomberg, UOB Kay Hian

BUY
(Maintained)

Share Price	RM0.91
Target Price	RM1.08
Upside	+18.7%

COMPANY DESCRIPTION

Independent power producer

STOCK DATA

GICS sector	Utilities
Bloomberg ticker:	MLK MK
Shares issued (m):	4,887.0
Market cap (RMm):	4,447.1
Market cap (US$m):	1,053.3
3-mth avg daily t'over (US$m):	0.5

Price Performance (%)

52-week high/low RM1.02/RM0.71

1mth	3mth	6mth	1yr	YTD
15.2	11.7	1.7	7.7	7.7

Major Shareholders	%
Anglo Oriental Annuities Sdn Bhd	20.1
MMC Corp Bhd	18.4
EPF	13.4

FY25 NAV/Share (RM)	0.93
FY25 Net Debt/Share (RM)	1.18

PRICE CHART

Source: Bloomberg

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STOCK IMPACT

- **2Q25: Potential reversal of coal NRV.** As coal prices are trending up (see RHS chart), we believe there is a possibility of a reversal of coal net realisation value (NRV) in 2Q25. Recall that 1Q25 net profit was adversely affected by a RM40m provision for coal NRV for the period of Jan-May 25. 80% of the NRV is coming from Tanjung Bin Power itself. We expect at least a normalised net profit of RM70m per quarter, in the absence of coal provisions.
- **Alam Flora – a healthy concession worth RM2b.** Based on a run rate net profit of RM100m annually, Alam Flora is worth around RM2b, based on a PE of 20x (accounting for about 50% of Malakoff's market cap). Alam Flora has been dishing out dividends during the past two years and will likely support dividends in 2025-26. We understand that Alam Flora is exploring new concessions in other states within Peninsular Malaysia. Alam Flora currently operates in Kuala Lumpur, Putrajaya and Pahang. The company also aims to reduce its greenhouse gas emissions intensity by 30% by 2031, and ultimately become a net-zero emissions organisation by 2050.

WTE PLANTS IN MALAYSIA

WTE Plant	Operator	Location	Installed Capacity (MW)	Commercial Operation Date
Solid Waste Modular Advanced Recovery and Treatment System with Waste to Energy (SMART WTE)	Cypark Resources Bhd	Ladang Tanah Merah, Port Dickson	19.73	Dec 2022
Jeram Waste-to-Energy Plant	Worldwide Holdings Berhad	Jeram, Kuala Selangor	1st phase: 25.00 next phase: 27.00	1st phase: 2023 Next phase: 2026
Sungai Udang WTE Plant	Malakoff	Sungai Udang, Melaka	22.00	2029

Sourrce: Respective companies

EARNINGS REVISION/RISK

- No change to earnings.

VALUATION/RECOMMENDATION

- **Reiterate our BUY call with an SOTP-based fair value of RM1.08/share.** In arriving at our target price, we have included a 1,400MW thermal power plant win. Our blue-sky fair value is RM1.25/share, in the event Malakoff wins two 1,400MW power plants. The stock offers a net dividend yield of 5% over 2025-26F.
- **Key re-rating catalysts include:** a) winning a 1,400MW thermal gas-fired plant; b) winning a large-scale solar 5+ project; and c) a new power plant win to export power to Singapore.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

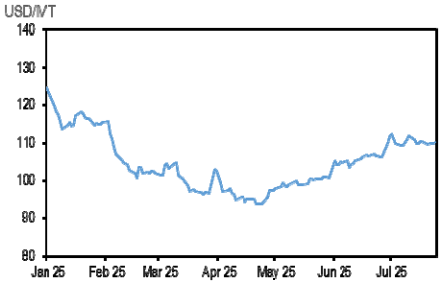
• **Environmental**
- Finished the initial feasibility study on using ammonia and hydrogen with ITOCHU, while still looking at additional possible uses.
- Using leachate water treatment techniques to cut down on the amount of raw water used in incinerators while maintaining temperature.
• **Social**
- Improving employee comprehension and promoting occupational safety and health awareness through programmes, training sessions and educational initiatives.
• **Governance**
- The centralised database, which is implemented through the TRICOR System, simplifies the assessment of corruption risk and ensures the systematic detection and removal of possible threats.

FAIR VALUE OF RM1.08/SHARE

	Equity Value (RMm)	% SOTP
IPPs in Malaysia		
- Tg Bin	2,570	25%
- SEV	1,291	12%
- Tg Bin Energy	3,174	31%
Potential 1 x 1,400MW thermal	1,134	11%
O&M	181	2%
Alam Flora	2,000	19%
Total	10,350	100%
Less: Holding company debt	(2,634)	
Total Value	7,716	
Share base	5,006	
Target price (RM)	1.08	30% discount

Source: UOB Kay Hian

YTD COAL PRICES (2025)



Source: Bloomberg, UOB Kay Hian

RFP TO SUPPLY 8GW OF ELECTRCITY GENERATION DURING 2025-29

Gas fired power plants	Generation Capacity (MW)	Expiry date of PPA	Company
Tuanku Ja'afar PD1	703	Aug-28	TNB Genco
KEV	600	Jul-29	TNB Genco
Tuanku Ja'afar PD2	708	Jan-30	TNB Genco
Total	2011		
Kuala Langat Power Plant	675	2026	Edra
Segari	1303	2027	Malakoff
Grand Total	3989		

Source: Energy Commission, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	8,970	8,624	8,665	8,726
EBITDA	1,829	1,973	2,009	1,995
Deprec. & amort.	-1,031	-989	-955	-922
EBIT	798	984	1,054	1,073
Associate contributions	110	100	100	100
Net interest income/(expense)	-436	-582	-531	-501
Pre-tax profit	460	502	624	673
Tax	-150	-151	-187	-202
Minorities	-41	-75	-94	-101
Net profit	269	276	343	370
Net profit (adj.)	281	276	343	370

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	10,065	9,559	9,088	8,650
Other LT assets	3,813	3,630	3,446	3,262
Cash/ST investment	1,098	1,594	2,085	2,578
Other current assets	3,984	3,878	3,875	3,886
Total assets	18,960	18,660	18,495	18,376
ST debt	852	852	852	852
Other current liabilities	1,989	1,927	1,914	1,914
LT debt	6,857	6,497	6,137	5,777
Other LT liabilities	3,728	3,728	3,728	3,728
Shareholders' equity	5,298	5,344	5,458	5,598
Minority interest	238	313	407	508
Total liabilities & equity	18,960	18,660	18,495	18,376

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	1,115	1,286	1,281	1,282
Pre-tax profit	460	502	624	673
Tax	-150	-151	-187	-202
Deprec. & amort.	1,031	989	955	922
Working capital changes	-267	45	-10	-11
Other operating cashflows	-110	-100	-100	-100
Investing	-849	-200	-200	-200
Capex (growth)	-424	-200	-200	-200
Proceeds from sale of assets	-424	-200	-200	-200
Others	-425	0	0	0
Financing	-1,740	-590	-590	-590
Dividend payments	-109	-230	-230	-230
Issue of shares	0	0	0	0
Proceeds from borrowings	-1,015	-360	-360	-360
Others/interest paid	-616	0	0	0
Net cash inflow (outflow)	-1,473	496	491	493
Beginning cash & cash equivalent	2,571	1,098	1,594	2,085
Ending cash & cash equivalent	1,098	1,594	2,085	2,578

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	20.4	22.9	23.2	22.9
Pre-tax margin	5.1	5.8	7.2	7.7
Net margin	3.0	3.2	4.0	4.2
ROA	1.4	1.5	1.9	2.0
ROE	4.9	4.9	5.9	6.1
Growth				
Turnover	(1.1)	-3.9	0.5	0.7
EBITDA	101.1	7.9	1.8	-0.7
Pre-tax profit	(148.1)	9.3	24.2	7.8
Net profit	(132.1)	2.8	24.2	7.8
Net profit (adj.)	(131.7)	-1.7	24.2	7.8
EPS	(132.1)	2.8	24.2	7.8
Leverage				
Debt to total capital	40.7	39.4	37.8	36.1
Debt to equity	139.3	129.9	119.2	108.6
Net debt/(cash) to equity	119.4	101.7	83.6	66.3
Interest cover (x)	1.6	1.5	1.7	1.8

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